REMARKS

This Amendment is responsive to the Final Action dated August 10, 2007 in the above identified application. Applicants hereby respectfully request continued examination in accordance with 37 C.F.R. §1.114.

In view of the above amendments and the following remarks, we respectfully request favorable reexamination and allowance of the pending claims.

Status of the Application

- Claims **1, 13, 50 and 61 -66** have been amended;
- Claims **67-96** have been added;
- Claims **54-60** have been cancelled;
- Claims **1-53 and 61-96** are pending in the application; and
- Of the pending claims, claims **1, 50, 61-67, 82-84, 86-88, 95 and 96** are independent.

Claims **1, 50 and 61-66** have been amended to more distinctly claim the invention, as discussed in detail below. Dependent claim **13** has been amended to correct a clerical error by inserting the word "rule" following "reward", for purposes of providing the correct antecedent basis. No new matter has been added.

In view of the above amendments and the following remarks, the applicants respectfully request favorable reexamination and allowance of all of the pending claims.

The 35 U.S.C. §102(e) Rejections

Claims **50, 59 and 64-66** stand rejected as anticipated by Walker et al., U.S. Patent No. 6,108,639 (hereinafter "Walker"). Claim **59** has been cancelled, and thus the rejection of this claim is moot. We traverse the Section 102(e) rejections with regard to claims **50 and 64-66**.

Claims **50 and 64-66** have been amended, and the elements recited by claim **50** are illustrative:

> *identifying a product subject to bidding during an auction session;*
>
> *receiving a bid for the product from a bidder during the auction session;*
>
> *determining* ***before the auction closes****, based on a penalty rule, whether the bidder is to receive a penalty; and*

transmitting, to the bidder ***if the bidder is to receive the penalty****, an indication that the bidder is to receive the penalty.* (emphasis added)

Each of independent claims **50 and 64-66** recites determining, *before the auction closes*, whether the bidder is subject to a penalty, and then transmitting an indication that the bidder is to receive a penalty in response to a bid. Such a process *encourages competitive bidding behavior during an auction session* because bidders recognize that they may incur a ***penalty*** for certain bidding behaviors. The penalty discourages a bidder from exhibiting non-competitive bidding behavior because the bidder knows that penalties will be imposed when the bidding behavior falls below predetermined standards (See, for example, the specification at page 2, lines 28-33).

Walker discloses systems and methods for managing the sale of collectibles to a buyer who has submitted a purchase offer for the purchase of such goods (see Walker, col. 1, lines 15-20). A collectible conditional purchase offer (CPO) management system is described for receiving and processing a CPO from one buyer interested in purchasing a collectible. The CPO is processed to determine whether one of multiple sellers is willing to accept the CPO. If a seller accepts a CPO and delivers goods that comply with the buyer's CPO, the buyer is bound on behalf of that seller to form a legally binding contract. Figs. 10A to 10D of Walker illustrate a flowchart of an exemplary collectible CPO evaluation process 1000. In this process, the buyer submits a CPO, the CPO is provided to potential sellers, and a determination is made as to whether any one seller is willing to accept the CPO (see Walker, col. 9, lines 62-66). It should be noted that such a process is the **opposite** of a traditional auction, wherein one seller offers an item to multiple potential buyers (bidders).

Arguments presented on page 3 of the Final Action contend that Walker discloses: "Determining before the auction closes, based on a penalty rule, whether the bidder is to receive a penalty". Walker was cited at Col. 16, lines 5-12 and Col. 10, lines 10-15 to support such a statement. But the verbiage at col. 16, lines 4-12 is a portion of claim 8 of Walker that recites a method of processing the sale of a secondary market item that includes obtaining a purchase offer from a customer. In particular, this cited portion of claim 8 recites:

> "identifying one or more rules **from at least one potential seller** of said secondary market item, each of said rules containing one or more **seller-defined restrictions**;
>
> comparing said purchase offer to said rules to determine whether an accepting seller is willing to accept said purchase offer **if said**

> **customer-defined condition** satisfies said seller-defined restrictions of at least one of said rules;" (Emphasis Added)

Thus, the above cited portion or Walker does not teach or suggest anything concerning penalty rules. In fact, these portions of claim 8 of Walker specify seller-defined restrictions (which could be associated with items in the seller's collection or based on the seller's screening criteria-- see claims 11 and 12), and the step of determining if an accepting seller is willing to accept the purchase offer if a customer defined condition satisfies the seller-defined restrictions of the rules. There is no penalty associated with the seller restrictions or with the customer condition.

The second cited portion of Walker, at col. 10, lines 10-15 recites:

> "It is noted that if the buyer ***ultimately*** fails to purchase the requested item ***once the CPO is accepted*** by a seller, the buyer can be charged a fee or a penalty. In this manner, the offer is guaranteed with a general purpose account, for example, using a line of credit on a credit card account." (Emphasis added)

This second cited portion of Walker clearly specifies that the buyer can be charged a penalty ***only if*** the buyer ***ultimately*** fails to purchase the requested item ***after the CPO is accepted***. When the CPO is accepted the transaction is considered to be **terminated**. Thus, the penalty is imposed ***after*** the termination of the transaction (if the buyer doesn't pay the bill). Accordingly, applicants respectfully submit that these cited portions of Walker **fail** to support the Examiner's assertion because neither portion, alone or in combination, teaches to determine, *before an auction closes*, whether the bidder is subject to a penalty. Rather, the cited portion of claim 8 concerns identifying seller rules containing one or more seller-defined restrictions for comparison to the CPO to determine if the seller is willing to accept the CPO, and the cited portion at column 10 pertains to charging a fee or penalty to the buyer "…if the buyer **ultimately** fails to purchase the requested item…" (emphasis added).

Furthermore, step 1008 shown in Fig. 10A of Walker continues to be misconstrued. In particular, the Examiner argues:

> "However, the penalty is implemented before the close of the auction since the transaction is still being processed at step 1008, therefore meaning that the auction has not yet closed since transactions involving the auction still need to be carried out [actual purchase of the item]. Walker '639 shows that the penalty is applied once the CPO is accepted by a seller, and before the purchase of the item. The penalty is not applied after the customer is bind (sic, "bound") to the

> purchase by accepting the CPO. As shown in col. 18, lines 3-19… once a customer accepts the CPO, the auction is still active until it is determined that the item satisfies a description and once this happens, then the customer is bind to purchase the item [this is the close of the auction]. The auction is not closed once the seller accepts the CPO since the items still need to satisfy a description. It is not right after the CPO is accepted that the auction is closed, but after the "determination" step. In addition, it is true that col. 16, lines 5-12… shows rules applied to determine if the seller will accept the customer's CPO, however, these rules are also applied as penalty rules since penalties are directly linked to the CPO and implemented upon acceptance of the CPO. Therefore, if rules are applied to determine if a CPO is accepted, the penalty that goes along with this particular CPO is also implemented through application of these rules." (see Final Action, paragraph 13 on pages 18-19; emphasis as it appears in the original).

As shown in the above cited portion of the Final Action, the Examiner defines the close of the "auction" of Walker (if Walker can be said to disclose an auction at all) as being when the customer is bound to purchase the item. We agree. The close thus occurs **when the seller accepts the CPO**. It is **after** this point that a penalty could be imposed, if the customer ultimately fails to pay for the item.

In view of the above remarks, we respectfully submit that there is absolutely **no support** for the assertion that a penalty is determined before the close of the "auction" of Walker. In particular, the citation to step 1008 of Fig. 10A merely pertains to receiving information from the buyer that includes conditions, price, expiration date and a general-purpose account identifier. Such information concerns the initial steps involved in Walker's CPO evaluation process illustrated by Figs. 10A-10D. The disclosed evaluation process includes receiving a collectible CPO from a buyer, providing the CPO to potential sellers, and determining whether any sellers will accept the CPO (see col. 9, lines 62-64). Thus, we cannot fathom why step 1008 of Fig. 10A of Walker has been cited, as there is absolutely no indication in the specification associated with Fig. 10A or in Fig. 10A itself of a penalty. Apparently the belief is that even after a "bidder" wins an "auction" in Walker that the auction never closes if the bidder reneges and does not pay for the item. Such an interpretation cannot be correct, and furthermore we respectfully submit that such an interpretation of Walker is wholly unsupported. Nothing in Walker (or in any other cited reference) teaches or even suggests that an auction never closes if the winning bidder does not pay. Similarly, there is nothing in Walker that discloses or suggests that auctions close at a time other than when a winner is chosen.

Furthermore, Walker specifies that "the buyer can be charged a penalty" if the buyer does not **ultimately** purchase the requested item once the CPO is accepted by a seller (see col. 10, lines 10 – 13). This portion of Walker confirms that it is ***the seller***, not the buyer, who is the party that accepts the CPO. Accordingly, we submit that col. 10, lines 10-13 of Walker supports our position that the penalty is **not** "determined before the auction closes", but is in fact determined only **after** the auction closes and the customer is bound to purchase the item from a seller. The 'auction' cannot be considered "open" once the buyer is bound to purchase the 'auctioned' item, because at such time *no other bids are permitted*. If no further bids are permitted for a product then the auction process for that particular product is closed.

Yet further, there is no support for the convenient assertion that Walker's CPO rules "…are also applied as penalty rules since penalties are directly linked to the CPO and implemented upon acceptance of the CPO." (Final Action, paragraph 13, on page 19.) Such a statement is unsupported by the disclosure of Walker.

In view of the above amendments and remarks, we respectfully assert that Walker does not anticipate any of claims **50 and 64 -66**. In addition, we respectfully submit that the limitations of *determining, before the auction closes, whether the bidder is subject to a penalty*, and *receiving, before the auction closes, a penalty in response to a bid*, are not suggested by any of the references of record, either alone or in combination. Thus, applicants respectfully request withdrawal of the Section 102(e) rejections.

The Section 103(a) Rejections

Claims **1-3, 5-8, 10-17, 20-22, 24-26, 28-31, 37-42, 47, 54-57 and 60 - 63** have been rejected as being unpatentable over combinations of Walker and Franchi (U.S. Patent No. 5,770,533) and in combination with other cited references. We traverse the Examiner's Section 103(a) rejections as no *prima facie* case has been made showing that the claims are obvious, for the reasons set forth below.

Claims **54-60** have been cancelled, and thus the rejections of claims **54-57 and 60** are now moot.

Independent claims **1 and 61-63** are included in this rejection under Section 103(a). Of these claims, independent claim **1** is a method claim, and independent claims **61** (a means-plus

function claim), **62 (**an apparatus claim), and **63** (a computer-readable medium claim) each correspond to claim **1**.

Claim **1** has been amended (as have claims **61 – 63)**, and is illustrative:

> *determining, based on a reward rule, whether the bidder is qualified to receive a reward* ***other than the product****; and*
>
> *transmitting, to the bidder if the bidder is qualified, an indication that the bidder is qualified to receive the reward.*

All of the independent claims rejected under Section 103(a) generally require that a *bidder may receive a reward other than the product*. We respectfully submit that none of the references suggests this feature.

The Examiner recognizes that these limitations are not disclosed by Walker (see Final Action, on page 5). But the Examiner also states "Walker… does disclose receiving the product as the reward in the abstract, lines 8-11" (Final Action, page 5). We disagree. Lines 8-11 of the Abstract of Walker recites:

> "If a seller accepts a give CPO, and ultimately delivers goods complying with the buyer's CPO, the buyer is bound on behalf of the accepting seller, to form a legally binding contract."

We submit that interpreting this portion of Walker in the manner suggested by the Examiner is unreasonable. This cited passage means what it says: if the seller accepts the CPO and delivers the goods according to the buyer's terms (which are in the CPO), then the buyer is obligated to enter into a binding contract.

In an attempt to cure the deficiencies of Walker, the Final Action recites:

(i) Franchi discloses receiving a reward other than the product;

(ii) Franchi is in an analogous art; and

(iii) it would have been obvious to combine Franchi with Walker.

We traverse. First, Franchi discloses an open architecture casino operating system for controlling the flow of funds and for monitoring gambling activities (see Abstract of Franchi). Thus, applicants respectfully submit that Franchi does not concern auctions, and does not describe bidding in any auction sessions. Accordingly, Franchi cannot teach or suggest *determining whether the bidder is qualified to receive a reward other than a product*.

Furthermore, the following portions of Franchi have been cited in support of the assertions contained on pages 5, 8 and 9 of the Final Action:

> "41. The casino operating system according to claim 39, wherein said player console further notifies the player when the player wins a door prize **randomly awarded** by said central computer." (emphasis added, see claim 41 at col. 28, lines 46-48 of Franchi)

We note that Franchi also discusses a "door prize" in the specification:

> "Optional features that may be provided on the player console [of a slot machine] include: an indication signal located on the control panel [of the player console] to indicate that the player has won a **random** door price [sic., "prize"]offered by the casino as a perk to frequent gamblers." (emphasis added; see Franchi, col. 8, lines 18 – 22)

Thus, both these portions of Franchi clearly disclose only the random awarding of prizes to a gambler. As best understood, the completely dissimilar system of Franchi is being cited to support arguments that:

(a) Franchi discloses a randomly awarded prize, and

(b) since this prize is not being bid upon in an auction, it is "a reward other than the product [subject to bidding during an auction session]".

But this argument is fatally flawed because Franchi has ***nothing to do with auctions or bidding***, so there is no *product which is subject to bidding during an auction session.* Thus, Franchi cannot disclose *a reward other than the product subject to bidding*, as required by the pending claims.

Furthermore, in order to rely on a reference as a basis for rejection of the applicant's invention, the reference must either be in the field of the applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the inventor was concerned. In re Oetiker, 977 F.2d 1443, 1447 (Fed. Cir. 1992). Accordingly, since Franchi has nothing whatsoever to do with auctions or even bidding, we submit that this reference is so far afield from the present claims that it would not be used by one skilled in the art to solve a problem concerning auctions. No substantial evidence has been provided to the contrary.

Moreover, Franchi does not provide an award "as an incentive to continue participating" as contended on page 5 of the Final Action. In fact, the prize is a "perk" which is awarded to frequent gamblers, and is provided randomly. Gamblers are not required to continue gambling or to

continue participating at any particular rate of play in order to receive such an award because it is awarded randomly.

The Examiner contends in the paragraph spanning pages 19 and 20 of the Final Action that Franchi is analogous art because it "deals with a casino system", and that terms such as "player betting data" and "gambling data" proves that bidding is implemented. Such reasoning is incorrect. A bet does **not** equal a bid. In particular, a gambler who loses a bet also loses the monetary value of the bet, whereas a bidder who does not submit the winning bid does **not** lose the monetary value of the bid. The bidder merely does not obtain the item that was the subject of the bid. Accordingly, applicants continue to respectfully submit that Franchi is non-analogous art, and therefore would not be combined with Walker by one skilled in the art as suggested.

Furthermore, obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992). Additionally, **particular findings must be made** as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed. In re Kotzab, 217 F.3d 1365, 1371, 55 U.S.P.Q.2d 1313, 1317 (Fed. Cir. 2000) (emphasis added). Applicants respectfully assert that no evidence has been provided of any teaching, suggestion or motivation to combine Walker with Franchi, as discussed in detail below.

The following motivation to modify and combine Walker and Franchi has been proposed on page 20 of the Office Action:

> "… the combination of these references is valid since both references disclose the implementation of conditional offers in determining a reward. Walker et al. '639 specifically discloses a conditional purchase offer for receiving a (sic., "and") processing individual conditional purchase offers from buyers for different products. Franchi discloses conditional offers through gambling via betting card by a player. As disclosed by Miriam Webster's Dictionary, a bet is defined as "a choice made by consideration of probabilities", where in this case, the consideration of probabilities are conditions. Since probabilities are conditional, and betting includes making a choice or offer via probabilities, the act of betting is conditional. In addition, another conditional offer is shown in Franchi where it discloses different betting options for using the betting card as shown in Col. 9, lines 16-21. First, the user has the option to play solely from the credit balance on the card such that no coins are involved, or the layer can have the machine issue coins form the balance on the card into a coin tray, and then se these coins to play the slot machine. In the first case, the user can play

the slot machine on the condition that he or she used no coins. In the second case, the user can play the slot machine on the condition that he or she uses only coins."

We disagree with the above characterization that both the Walker and Franchi references disclose "the implementation of conditional offers in determining a reward" such that their combination is justified. First, Walker's system concerns matching a conditional purchase offer created by a buyer to at least one seller of a product. There is no teaching or suggestion concerning *receiving a reward other than the product in response to the bid.* Second, a gambling wager is ***not*** equivalent to a bid for a product, even if it is based on "probabilities". For example, a gambler places a bet (and thereby puts money at risk) to play a game of chance wherein a good outcome is winning the gamble and receiving a payoff in money (or chips), and a bad outcome is losing the gamble (and thus losing his wager which is equivalent to money). In contrast, a buyer at an auction places one or more bids and then obtains the product if he offers the highest bid, but does ***not*** lose any money if his bid is not the high bid. Thus, bidding for a product and placing a wager to gamble ***are two distinctly different activities***, and therefore are **not** equivalent. Furthermore, even if an argument can be made that there is an overlap or an area of common subject matter, that is **not** a motivation for one of ordinary skill in the art to combine particular teachings, so this factual basis (even if true) would not constitute a motivation to combine the Walker and Franchi in the manner proposed.

Moreover, a motivation to modify only exists where the prior art teaches such a benefit. We submit that there has been no showing of where the prior art demonstrates the desirability of combining or modifying the references in the manner suggested. Yet further, there is not even an allegation that the prior art demonstrates the desirability of solving the problems solved by the present claims.

Lacking a motivation to combine, there is no *prima facie* case of obviousness. In re Rouffet, 149 F.3d 1350, 1358 (Fed. Cir. 1998). If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent. In re Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992). As no motivation has been shown in the prior art of record to modify or combine the references in the manner proposed, or in any other manner that renders the claims obvious, we submit that a *prima facie* case of obviousness has not been made and thus request withdrawal of all of the section 103(a) rejections.

Furthermore, the Examiner has failed to resolve (or even identify) the level of ordinary skill in the pertinent art as required by the Supreme Court. Graham v. John Deere Co., 383 U.S. 1, 17 (1966). Having failed to resolve the level of ordinary skill in the art in the record, applicants assert that the Examiner is unable to determine "would have been obvious to one of ordinary skill in the business art" at the time of the invention.

In view of the above amendments and remarks, applicants respectfully request withdrawal of the Section 103(a) rejections of independent claims **1 and 61-63**. In addition, since claims **2, 3, 5-8, 10-17, 20-22, 24-26, 28-31, 37-42 and 47** all directly or indirectly depend on claim **1**, these dependent claims should be allowable for at least the same reasons.

The New Claims

New claims **67-83** generally concern a method, a computer readable medium and apparatus for:

receiving a bid for the product with an encrypted date and time of submission of the bid from a bidder during the auction session;

decrypting the date and time of submission;

accepting the bid if the decrypted date and time of submission indicates that the bid was submitted before a scheduled closing time of the auction session;

determining, based on a reward rule, whether the bidder is qualified to receive a reward other than the product; and

transmitting, and if the bidder is qualified, an indication that the bidder is qualified to receive the reward.

Applicants respectfully submit that the cited art is not believed to teach or suggest such operation. Support for claims **67- 83** can be found, for example, on page 9, lines 5-17 of the application, and in the originally filed claims. No new matter has been added.

New claims **84-87** generally concern a method, a computer readable medium and apparatus for:

retrieving required auction session conditions;

determining that the required auction session conditions are satisfied by current auction data;

retrieving offer recipient rules associated with bidders participating in the auction session;

determining, based on the retrieved offer recipient rules, which of the bidders are qualified to receive an offer message; and

transmitting an offer message to at least one qualified bidder.

Applicants respectfully submit that the cited art is not believed to teach or suggest such operation. Support for claims **84- 87** can be found, for example, on page 13, lines 6-32 of the application. No new matter has been added.

New claims **88-96** concern a method, a computer readable medium and apparatus for:

r*eceiving a bid for a product from a first bidder during an auction session;*

determining, based on a reward rule, whether the first bidder is qualified to receive a reward other than the product;

transmitting, if the first bidder is qualified, an indication that the first bidder is qualified to receive the reward;

receiving a bid for the product from a second bidder during the auction session;

determining, based on the reward rule, whether the second bidder is qualified to receive a reward other than the product;

transmitting, if the second bidder is qualified, an indication that the second bidder is qualified to receive the reward; and

transmitting an indication to the first bidder revoking the qualification of the first bidder to receive the reward.

Applicants respectfully submit that the cited art is not believed to teach or suggest such operation. Support for claims **88- 96** can be found, for example, on page 15, line 25 to page 17, line 32 and in Figs. 10A and 10B of the application. No new matter has been added.

In view of the above remarks, we respectfully request allowance of the new claims.

Conclusion

For the foregoing reasons it is submitted that all of the claims are in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application, or if the Examiner has any suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Stephan Filipek at telephone number 203-461-7252 or via electronic mail at sfilipek@walkerdigital.com.

Petition for Extension of Time to Respond and Fees

Applicants hereby petition for a one-month extension of time with which to respond to the Final Action. Please charge the fee for this petition to our Deposit Account No. 50-0271, along with the fees pursuant to 37 C.F.R. 1.17(e) for this request for continued examination, and to cover any fees that may be required to cover costs associated with filing additional claims in excess of those already paid for.

Applicants do not believe that any other fees are due. But if a fee should be necessary to continue prosecution of the present application, please charge any such required fee to our Deposit Account No. 50-0271, and credit any overpayment to Deposit Account No. 50-0271.

Respectfully submitted,

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Date

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